



State of Washington  
Department of Revenue

# Excise Tax Advisory

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Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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## RESTORATION OF A FISHING VESSEL IN THIS STATE FOR EXHIBITION PURPOSES BY AND IN ANOTHER STATE

Issued September 2, 1966

Where another state purchases a deep sea fishing vessel with the purpose of exhibiting it in that state after restoration in this state, does the Retail Sales Tax apply to local purchases of materials and services?

The taxpayer, an agency of another state, purchased materials and services in connection with the restoration and repair of an old three master schooner. Following the completion of this work, the vessel was taken to the other state by the purchasing agency to be used as a floating museum. The taxpayer claimed an exemption from the Retail Sales Tax on the purchases aforementioned because the vessel was to be used outside the territorial limits of this state and because the ship had always been and was then documented as a deep sea fishing vessel.

The Tax Commission noted that the Washington law does not provide exemption to other states from the payment of the Sales Tax nor is an exemption granted in respect to purchases by this state, its cities, counties, or municipal subdivisions. As to the taxpayer's contention that the ship was to be used outside the territorial limits of this state, the Commission stated that the Retail Sales Tax is imposed upon the transaction or sale rather than upon the use of tangible personal property. As a result, the Sales Tax becomes applicable whenever a sales transaction is completed within the state regardless of the purchaser's residence or the fact that the subject matter of the sale will not be used in this state.

Under RCW 82.08.030(11) an exemption is allowed as to:

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***ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.***

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"Sales of . . . watercraft . . . for use in conducting commercial deep sea fishing operations outside the territorial waters of the state, also sales of tangible personal property which becomes a component part of such . . . watercraft . . . in the course of constructing, repairing, cleaning, altering, or improving the same; also sales of or charges made for labor and services rendered in respect to such constructing, repairing, cleaning, altering or improving."

Although the schooner in question is documented as a fishing vessel, its use was confined to exhibition purposes and it was not the intent of the other state to use the vessel in deep sea fishing operations. Hence, the exemption cited was inapplicable to the purchases of materials and services by the purchaser, and the purchaser was held liable for payment of the Retail Sales Tax. (Letter.)